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INFORMATION REPORT

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COUNTRY Yugoslavia

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SUBJECT Modification of the
Five Year Plan

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SUPPLEMENT TO
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1. Following the Cominform resolution against the Yugoslav Communist Party in 1948, trade between Yugoslavia and the satellites rapidly decreased until by the end of 1948 the export by the latter of capital equipment to Yugoslavia ceased altogether. Against this background the Central Committee of the Yugoslav Communist Party decided:
 - a. That the Five Year Plan must go on at all costs;
 - b. That trade would be switched from East to West;
 - c. That capital equipment would be imported from the Western Capitalist States;
 - d. That the Five Year Plan must be modified as little as possible.
2. In the spring of 1949, the Central Committee of the Yugoslav Communist Party, conscious of the shortage of capital equipment, foreign exchange, and skilled labor decided, inter alia:
 - a. To abandon certain of the more grandiose projects of the Five Year Plan, such as for example: The Mostar Aluminum Combine, the Bosnia-Hercegovina metallurgical Combine (for which the Russians had promised all the plans, capital and equipment, and technical assistance), the electrification of the Postojna-Ljubljana and Rijeka-Vrbovsko railway lines, and others.
 - b. To suspend work on certain specific projects of the Five Year Plan; for example, the Electro-Bosna synthetic rubber works at Jajce.
 - c. To concentrate all the resources of the Federal and Republican Governments on developing the following industries in the following order of priority: armament industries (existing, under construction and projected); major heavy industries, including mines and power stations; housing; export industries; land; light industries, and local industries.
3. A year later, shortly before the reorganization of industry began in the spring of 1950, the Central Committee of the Yugoslav Communist Party issued the following instructions:
 - a. All Federal and Republican resources must be concentrated on developing the following industries, in the following order of priority: armament

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industries; major heavy industries, including power stations and mines; communications; housing; export industries.

- b. Work in progress on all light industries must be suspended and the construction of new factories falling under the category of light or local character was prohibited.
 - c. The land collectivization program must be suspended. No new kolkhoz to be created; existing ones showing a credit balance to be consolidated; those showing a debit balance to be abandoned.
4. The significance of these instructions may be summarized as follows:
- a. The Five Year Plan has been modified, but not brought to a standstill. All the resources of the State and the Republics are being concentrated on developing the armament and heavy industries. Progress is slow and completion dates for many major projects have been postponed, but work is still going on. Thus, for example, work on the Strnisce aluminum works is proceeding in spite of the fact that the electrolytic plant is not near completion. Work is still proceeding at the big new hydro-electric power station at Maste, near Zirovnica (Slovenia), and Litostroj is replacing the turbines which Austria should have delivered and which lie at St. Poelten in the Russian Zone. Certain Five Year Plan projects which were abandoned, such as, for example, the Bosnia-Herzegovina Metallurgical Combine, have been replaced by less ambitious projects not provided for in the Plan, such as, for example, the Sisak Steel Works. Further, not only is work proceeding on major industrial objectives already in existence or under construction, but work has begun, during the last few months, on new major objectives, such as, for example, the oil boring equipment factory at Sesvete, near Zagreb.
 - b. The decision to continue the heavy industries program of the Plan has been made at the cost of the suspension of all work, with a few very special exceptions, on new light and local industries, in order the better to insure the conservation of raw materials and manpower.
 - c. Suspension of the land collectivization program is merely added proof that the Central Committee of the Yugoslav Communist Party is determined to develop industry even at the cost of agriculture. The other main reasons for this decision are a shortage of tractors and agricultural machinery, and a desire to reduce the number of guaranteed rations since all members of kolkhoz receive guaranteed rations, even if their kolkhoz does not show a credit balance.
5. Conclusions. The Central Committee of the Yugoslav Communist Party is determined to go ahead, as far as is possible, with the Five Year Plan and the policy of industrializing the country, for the following reasons:
- a. It is very difficult to abandon a plan after five years of intensive propaganda in its favor. To do so would create a very tense internal political situation: the rank and file of the Yugoslav Communist Party would start wondering whether Tito had not, after all, abandoned Socialism and sold Yugoslavia to Western Capitalism, and the working class would be indignant to learn that all their hardships and sacrifice during the last five years had been in vain.
 - b. It would upset the existing structure of Yugoslavia's economy. From moving toward Progressive Socialism, Yugoslavia would revert to her pre-war position as an agricultural state, an "undeveloped" State to be exploited by the industrially "developed" Capitalist States as a base from which to draw materials and food, and as an export market for manufactured products sold at a high profit.
 - c. It would reduce Yugoslavia's military potential, and her political importance, exposing her more than ever to the tender mercies of the Soviet Union and the satellite states.

Far from bringing the Five Year Plan to a standstill, the Central Committee of the Yugoslav Communist Party and the Federal Planning Commission are preparing plans for the first one ends in 1951.

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